

Message Text

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SUBJ: ANDEAN PACT; AUTOMOTIVE INDUSTRY

1. ADOLFO GUTIERREZ (BOLIVIAN NATIONAL), THE CURRENT PRESIDENT OF THE COMMISSION, HAS MADE SOME REVEALING OFF-THE-RECORD COMMENTS ABOUT PLANS IN THE ANDEAN AUTOMOTIVE INDUSTRY. GUTIERREZ WILL REMAIN IN HIS CURRENT POSITION UNTIL NOVEMBER AND WILL THEREFORE PRESIDE OVER THE NEXT COMMISSION MEETING, AT WHICH THE AUTOMOTIVE AND PETROCHEMICAL PROGRAMS WILL BE THE PRINCIPAL AGENDA ITEMS.

2. ASSIGNMENTS UNDER THE AUTOMOTIVE INDUSTRY SECTORIAL PROGRAM WILL ONLY SPECIFY TYPES OF CARS (CYLINDER DISPLACEMENT) AND SIZE OF TRUCKS, WITHOUT REFERENCE TO MAKES OR MANUFACTURERS. IN SOME CASES THE RESPECTIVE GOVERNMENTS HAVE ALREADY DECIDED WHICH FOREIGN FIRM WILL BE INVOLVED IN THE IMPLEMENTATION OF A GIVEN ASSIGNMENT, BUT IN MOST CASES THIS DECISION IS STILL PENDING. THE FOLLOWING ARE GUTIERREZ' PERSONAL PREDICTIONS ON THE SELECTIONS THAT THE MEMBER COUNTRIES WILL MAKE.

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3. THE MOST SURPRISING STATEMENT IS THAT MASSEY FERGUSON

WILL GET THE AGRICULTURAL TRACTOR BID IN VENEZUELA. ALL ALONG IT HAD APPEARED AS IF JOHN DEERE WAS BY FAR THE MOST LIKELY FIRM TO BE SELECTED. EXTENSIVE JOINT VENTURE NEGOTIATIONS, WITH ONLY A 21 PERCENT EQUITY PARTICIPATION ON PART OF JOHN DEERE, WERE ALREADY WELL ADVANCED WITH THE CORPORACION VENEZOLANA DE GUAYANA.

4. THE OTHER TWO COUNTRIES WITH ASSIGNMENTS OF AGRICULTURAL TRACTORS ARE PERU AND COLOMBIA. AS IS WELL KNOWN, MASSEY FERGUSON IS ALREADY IN PERU AND FIAT IS EXPECTED TO GET THE CONTRACT IN COLOMBIA.

5. A SECOND SURPRISE IS THAT RENAULT WOULD HAVE A MONOPOLY ON SMALL CAR MANUFACTURE. RENAULT WOULD, ACCORDING TO GUTIERREZ, PRODUCE THE A-1 AND THE A-2 CATEGORIES IN CHILE, COLOMBIA AND ECUADOR.

6. THE INTERMEDIATE CAR SIZE (A-3) WILL BE ASSIGNED TO PERU AND VENEZUELA. IN PERU, BOTH TOYOTAS AND VOLKSWAGENS WOULD BE PRODUCED. IN VENEZUELA, ACCORDING TO GUTIERREZ, IT IS NOT YET SURE WHETHER RENAULT OR FIAT WILL PRODUCE THIS SIZE OF CAR.

7. LARGE CARS (A-4) ARE ONLY ASSIGNED TO VENEZUELA. BOTH GENERAL MOTORS AND FORD WOULD STAY ON TO PRODUCE THESE CARS.

8. THE SMALLEST TRUCK (B-1) WOULD BE PRODUCED IN ECUADOR BY FORD, BUT UNDER A "CO-PRODUCTION AGREEMENT" WITH VENEZUELA. GUTIERREZ MADE NO MENTION OF THE B-1 ASSIGNMENT TO CHILE. THE NEXT TRUCK SIZE (B-2) IS AN EXCLUSIVE ASSIGNMENT TO BOLIVIA. THE LATTER HAS NOT AS YET ADVANCED ANY NEGOTIATIONS WITH FOREIGN FIRMS.

9. THE B-3 TRUCK WOULD BE PRODUCED BY CHRYSLER IN PERU AND BY EITHER FIAT OR CHRYSLER IN COLOMBIA. GUTIERREZ ALSO MENTIONED THAT GENERAL MOTORS MAY PRODUCE THE B-3 TRUCK IN CHILE.

10. THE LARGEST TRUCK (B-4) WOULD BE PRODUCED BY VOLVO IN PERU AND BY EITHER INTERNATIONAL HARVESTER, MACK OR WHITE LIMITED OFFICIAL USE

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IN VENEZUELA. INTERNATIONAL HARVESTER IS THE MOST LIKELY MANUFACTURER TO BE SELECTED.

11. JEEP-TYPE VEHICLES WOULD BE PRODUCED IN COLOMBIA AND VENEZUELA BY EITHER SANTANA (SPANISH LAND ROVER) OR BY NISSAN. IN THE CASE OF THE B-3 AND B-4 TRUCKS AND THE JEEPS, COLOMBIA AND VENEZUELA WOULD ENTER INTO CO-PRODUCTION AGREEMENTS.

12. COMMENT: THE EXCLUSION OF AMERICAN MANUFACTURERS FROM THE VENEZUELAN AGRICULTURAL TRACTOR MARKET COULD SIGNIFY A CONSIDERABLE LOSS IN SALES. JOHN DEERE AND INTERNATIONAL HARVESTER CURRENTLY SUPPLY ABOUT 60 PERCENT OF THESE TRACTORS. IT IS CONCEIVABLE THAT MASSEY FERGUSON HAS CANADIAN GOVERNMENT SUPPORT IN ITS BID FOR THE ANDEAN TRACTOR MARKET. AS PREVIOUSLY REPORTED, CANADA IS THE LARGEST SINGLE DONOR OF GRANT ASSISTANCE TO THE ANDEAN PACT.
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